

2010 claims:

insights, experience and trends





Claims: delivering on our promise

Discovery Life's award-winning products are designed to meet the needs of our clients when they suffer life-changing events. Our products are supported by a unique claims methodology, which provides an efficient and compassionate claims experience.

Discovery Life has paid in excess of R5 billion to date.

Discovery Life's claims experience from January 2010 to December 2010

- Discovery Life paid out more than R1.1 billion to South Africans or their estates

Discovery Life's claims experience is in line with expectation. From January 2010 to December 2010, paid claims were split between our benefits as follows:

Benefit	Claim amount paid
Life Cover Benefit	R626 437 138
Severe Illness Benefit	R215 440 954
Capital Disability Benefit	R242 837 546
Income Continuation Benefit (including the Overhead Expenses Benefit)	R53 923 964
Family Benefits and the Global Education Protector	R5 867 904
Health Plan Protector	R30 276 481
Total	R1 174 783 987

- The highest number of multiple claim payments that have been made to one life assured is **four**.
- The Global Education Protector currently covers the education costs of **70 children**. (2 125 children are covered under Discovery Life Group Risk.)
- The Health Plan Protector currently covers the medical contributions of **732 families**.
- Discovery Life paid **99.4%** of all submitted claims, with no Ombudsman rulings against us.
- Discovery Life paid out **R28 million** in Health Dividends.
- Discovery Life has paid out **R63 million** through the Integrator PayBack™ Benefit. **R143 million** has been paid out to date. This is projected to grow to over **R700 million** by 2014.
- Discovery Life accumulated an additional **R271 million** in Health Funds, totaling **R1.835 billion** since inception of the Health Plan Protector.

The case studies we have used in this booklet

You will find a number of case studies in this booklet. All of them are Discovery Life clients, but we have changed their names to protect their privacy.

What's inside

1 Life cover – protect the lifestyle of your loved ones

This section shows what the main causes of death claims at Discovery Life were for 2010. In addition, we look at the causes of death claims by age.

2 Discovery Life protects your income

We give information about what Discovery Life has paid out on Income Continuation Benefit claims. Income Continuation Benefit claims are broken down by age, showing the importance of protecting one's monthly income to cover living expenses.

3 Discovery Life's disability benefits – a superior claims assessment methodology

We detail what has been paid out in 2010 on Capital Disability Benefit claims. We consider the causes behind the claims and what has been paid out according to the categories defined through our robust claims assessment filter.

4 Severe illness cover doesn't need to be a game of chance

This section gives information about the main causes behind our Severe Illness Benefit claims. We also look at the claims by severity. Given the increased prevalence of cancer, we give you a breakdown of our cancer claims between men and women.

5 Multiple claims are a reality

The prevalence of multiple claims on our book is reported here, showing the need to insure against the ever increasing risk of claiming more than once.

6 An exemplary claims payment record

Here we provide a summary of Discovery Life's record with the Ombudsman in 2010.

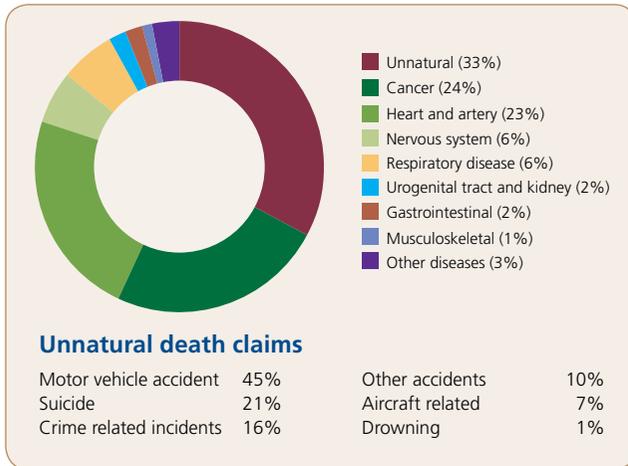
7 Our clients' experience in claiming from us

We give you some information about what our clients have experienced when claiming from us. In particular, we provide information about a pro-active claim we have paid out because of our relationship with Discovery Health.

Life cover – protect the lifestyle of your loved ones

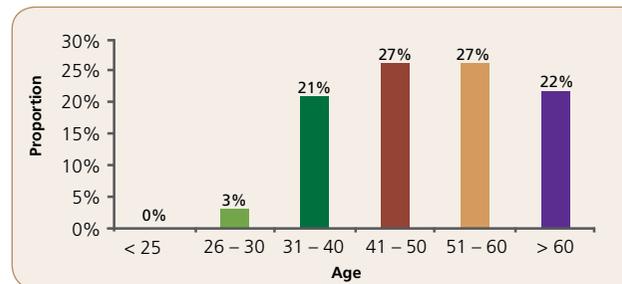
Inadequate life cover can leave your family in immense financial distress.

Causes of death claims



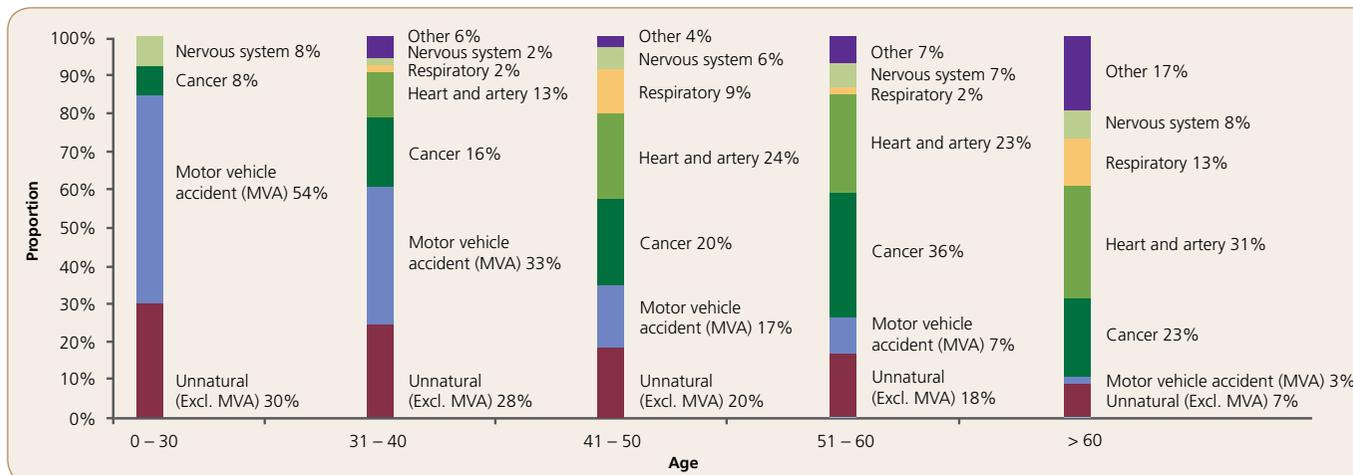
Death claims by age

More than 50% of Discovery Life's death claims paid were for deaths of policyholders younger than 50 and more than 75% were for deaths of policyholders younger than 60. At these ages, the need for life cover is significant, particularly as financial commitments such as debt and looking after financial dependants tend to be higher.



Unnatural deaths occur irrespective of your level of health or age. This clearly underlines the need for life cover.

Causes of death claims by age



At younger ages, motor vehicle accidents account for the majority of death claims. At older ages we see the increased incidence of heart and artery, cancer and respiratory claims.

Death claim payouts by gender



A snapshot of Mr Swartz's experience



Mr Swartz was a successful business owner who took out his policy with Discovery Life from 1 March 2010.

Less than three months after his LIFE PLAN started, he was knocked over by a car and he passed away. The 52-year-old's beneficiaries submitted the claim and his life cover claim of R10 500 000 was paid out soon after.

At Discovery Life we believe in paying out claims as soon as possible.

Interesting statistics

- The youngest male and female claimants were aged 27 and 20 respectively. Both died as a result of a motor vehicle accident.
- The oldest male and female claimants were both aged 79 and died because of acute renal failure and a stroke respectively.

Discovery Life protects your income

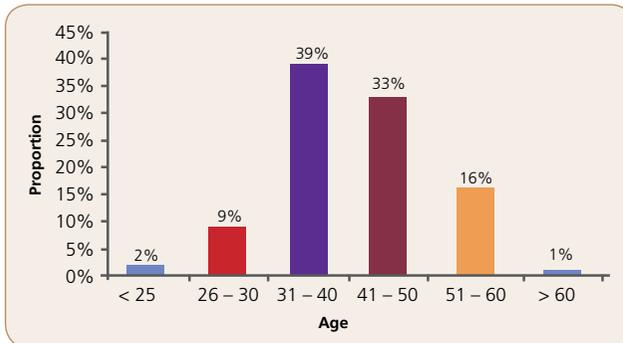
The unique features of Discovery Life's Income Continuation Benefit combine to ensure that your income is suitably protected on temporary and permanent disability.

Discovery's Income Continuation Benefit includes the following features:

- Temporary disability:** Contribution Protector, Interest Rate Protector and Premium Waiver
- Permanent disability:** Immediate upgrade to 100% of earnings, Premium Waiver and the Dynamic Spend Protector

In addition, the Comprehensive CPI + 3% in-claims escalation option ensures that payouts keep up with expected earnings growth.

Income Continuation Benefit payouts by age



This graph shows that 50% of Discovery Life's claimants were under the age of 40. They have at least 20 years until retirement. This emphasises the importance of receiving 100% of pre-disability income until retirement in the case of permanent disability as offered by Discovery Life.

Case study: Value of the CPI + 3% in-claims escalation option

Consider a permanent disability claimant, with pre-disability earnings of R30 000 per month.

Comparing the present value of future benefit payments

Years to expiry	In-claims escalation equals inflation	In-claims escalation equals inflation + 3%	Increase in benefit due to inflation + 3%
10	R3 233 731	R3 806 185	17.70%
15	R4 625 735	R5 857 625	26.63%
20	R5 886 516	R8 014 787	36.16%
25	R7 028 444	R10 283 121	46.31%

Assumptions: Inflation 10%, Interest 12%

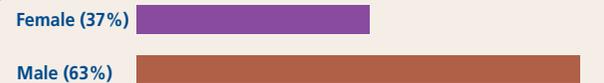
Inflation + 3% option offers significant value

(The additional premium for the inflation + 3% option is 20%)

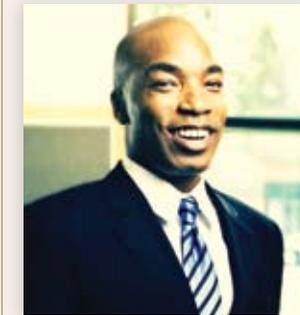
Interesting statistics

- In 2010, R1 198 335 was paid out by the Contribution Protector.
- Of the R53 923 964 paid to Income Continuation Benefit claimants in 2010, 43% was paid to claimants who were permanently disabled.
- We project that these clients will receive over R270 million more by the time that they reach the benefit expiry age, because of our unique upgrade on permanent disability to 100% of pre-disability income.

Income Continuation Benefit payouts by gender in 2010



A snapshot of Mr Sibisi's experience



Mr Sibisi was a successful consultant whose Discovery LIFE PLAN started on 1 January 2010. His benefits included the Income Continuation Benefit and the Health Plan Protector, among others.

In early May 2010, Mr Sibisi was involved in a car accident that resulted in severe head injuries, which led to a coma.

We approved his Income Continuation Benefit claim from 3 May 2010 until 31 December 2010 and he received R30 338 a month. He also received two Category C Capital Disability Benefit payments totalling R26 086.

On 20 December 2010 his Capital Disability Benefit claim was upgraded to a Category A payment for moderate to severe cognitive impairment. This payment was R1 023 797.

Because of the upgrade to a Category A Capital Disability Benefit, his Income Continuation Benefit was upgraded to 100% of pre-disability income and he will now receive R43 000 a month, until benefit expiry.

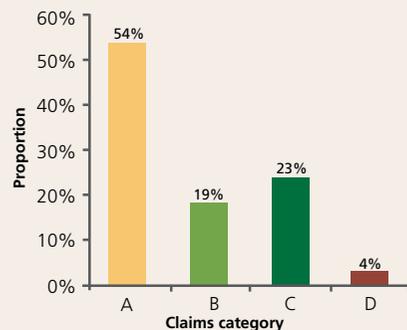
He also qualified for the medical premium waiver under the Health Plan Protector and Discovery Life will pay his health plan contributions for the next 10 years. His current monthly health plan contribution is R1 297.

Discovery Life's disability benefits – a superior claims assessment methodology

The unique features of Discovery Life's Capital Disability Benefit combine to ensure that our clients have the most comprehensive cover.

Disability is assessed for the various categories by using measures like medical criteria, Activities of Daily Living, loss of income while permanence is established and the nominated occupation underpin. An important consequence of this is that payouts are made more often than with traditional disability products. This can be seen in the graph below:

Capital Disability Benefit claims by category

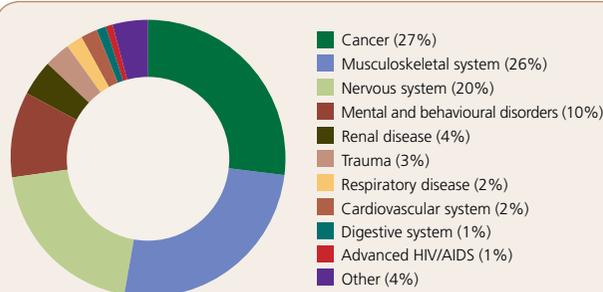


The robustness of the medical definitions and Activities of Daily Living measures within the product are also highlighted by the above graph. Only 4% of all disability claims fall in the nominated occupation definition of Category D.

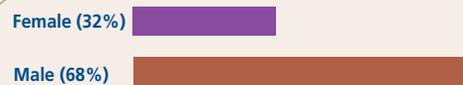
New generation disability product – LifeTime Capital Disability Benefit

This new generation benefit adjusts cover dynamically to reflect the loss in future earnings relevant to the specific cause of the disability and expected future salary growth.

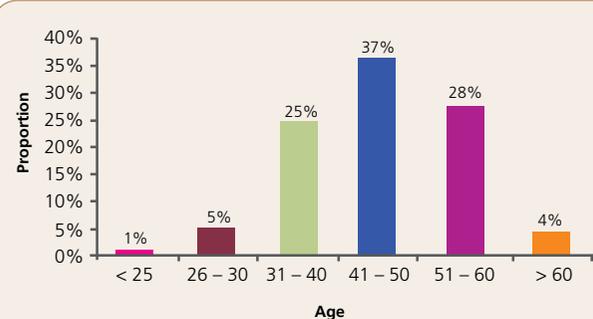
Causes of Capital Disability Benefit claims



Capital Disability Benefit claim payouts by gender in 2010



Capital Disability Benefit claim payouts by age in 2010



From the above, it is clear that disability events affect the whole age spectrum. This is why Discovery Life believes in offering policyholders disability cover up to the age of 70.

Dynamics of Discovery Life's unique loss of income underpin (Category C payment)

- 2.5% of the cover amount is paid every four months for up to two years on a loss of 80% or more of your income.
- 50% payment if the loss of income continues for two years and the balance of the Capital Disability Benefit if the loss of income continues for another year.

A snapshot of Mr Desai's experience



Mr Desai has been a client of Discovery Life since September 2003.

As a financial director, the 52-year-old led a busy and active lifestyle. On 14 September 2010, he suffered a stroke which left him completely disabled.

His Capital Disability Benefit was set at 100% of his LIFE FUND. Discovery Life paid out his LIFE FUND of R1 043 385 along with an additional payment of R208 677 from the LifeTime Capital Disability Benefit.

The LifeTime Impact Booster resulted in Mr Desai receiving 20% more than his LIFE FUND for this disability claim.

Interesting statistics

- 17.3% of all claims are as a result of mental, behavioural and back conditions, which shows the importance of comprehensive cover with no explicit exclusions.
- In 2010, R78 million of capital disability cover was converted to the Severe Illness Benefit from members reaching the benefit expiry age on their Capital Disability Benefit.

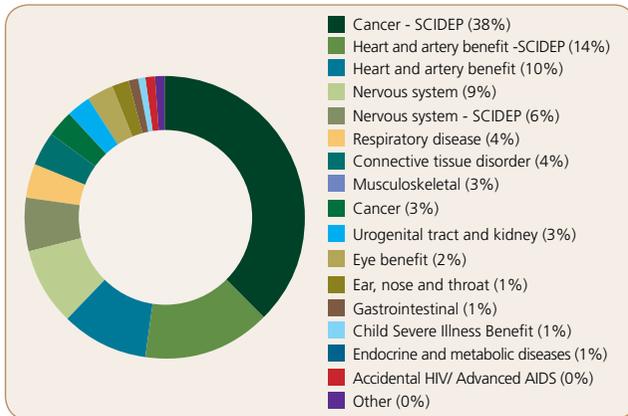
Severe illness cover doesn't need to be a game of chance

Our unique Severe Illness Benefit was the first to cover all major anatomical and physiological systems in the body with no gaps in cover. The Severe Illness Benefit ensures that clients and their families will have funds available to facilitate any lifestyle changes needed on suffering a severe illness.

The LifeTime Severe Illness Benefit measures the lifestyle impact not only by looking at the clinical severity, but also by considering the long-term impact of the illness to determine the benefit amount. The Severe Illness Extender Benefit boosts the payout on severities A to D by 25% without reducing the LIFE FUND. The Extender Benefit provides the highest payout in the market.

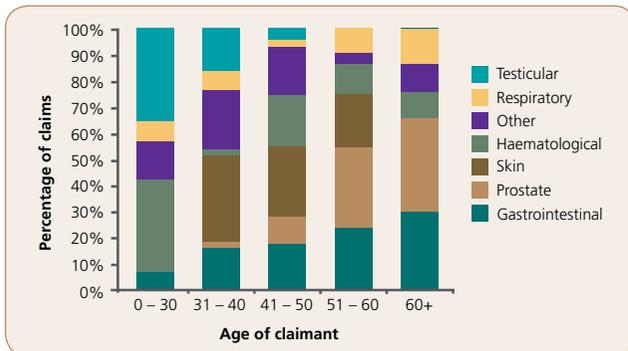
The graph below clearly depicts the importance of whole body coverage offered by our Severe Illness Benefit.

Causes of Severe Illness Benefit claims



As can be seen, the two leading causes of claims were cancer and heart and artery disease, together accounting for more than 65% of claims. 58% of all Severe Illness Benefit claims were covered under SCIDEP definitions.

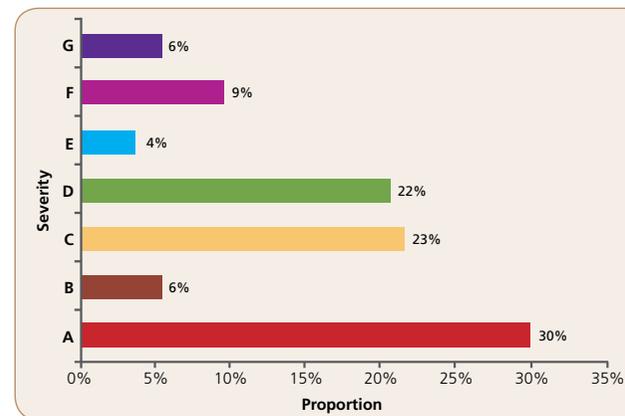
Breakdown of cancer claims for men



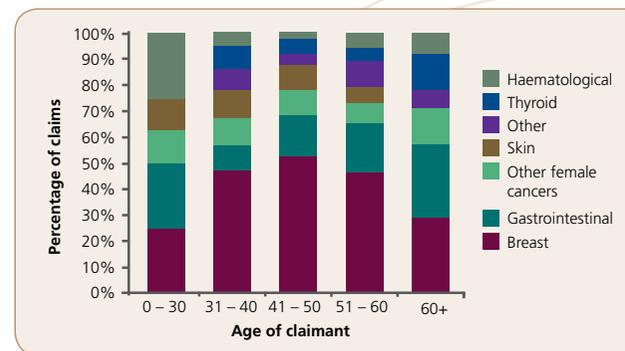
For men, the leading types of cancer claims at early ages are testicular and haematological cancers. At older ages, prostate cancer becomes the most common cancer type.

As the graph below shows, the value of tiered severities can easily be seen with claims occurring under all seven severities.

Severe Illness Benefit claim payouts by severity



Breakdown of cancer claims for women



For women, the type of cancer is uniform across age groups with breast cancer being the most prominent, especially between the ages of 31 and 60.

Mr and Mrs Johnson's experience



Mrs Johnson was a young and happily married woman when her financial adviser arranged a joint LIFE PLAN for her and her new husband. Their policy started on 1 July 2009.

One year later they celebrated the birth of their first child, but the young child was diagnosed with West's syndrome soon after birth. Mrs Johnson contacted her financial adviser to request the cancellation of their retirement annuity as they were buckling under severe financial strain.

Her financial adviser realised that she might be eligible for a claim under the Automatic Child Severe Illness Benefit. He arranged for the claim forms and less than a week after sending the necessary documents through, the claim of R110 000 was paid out.

The money gave Mrs Johnson and her husband breathing room to focus all their attention on their daughter.

Multiple claims are a reality

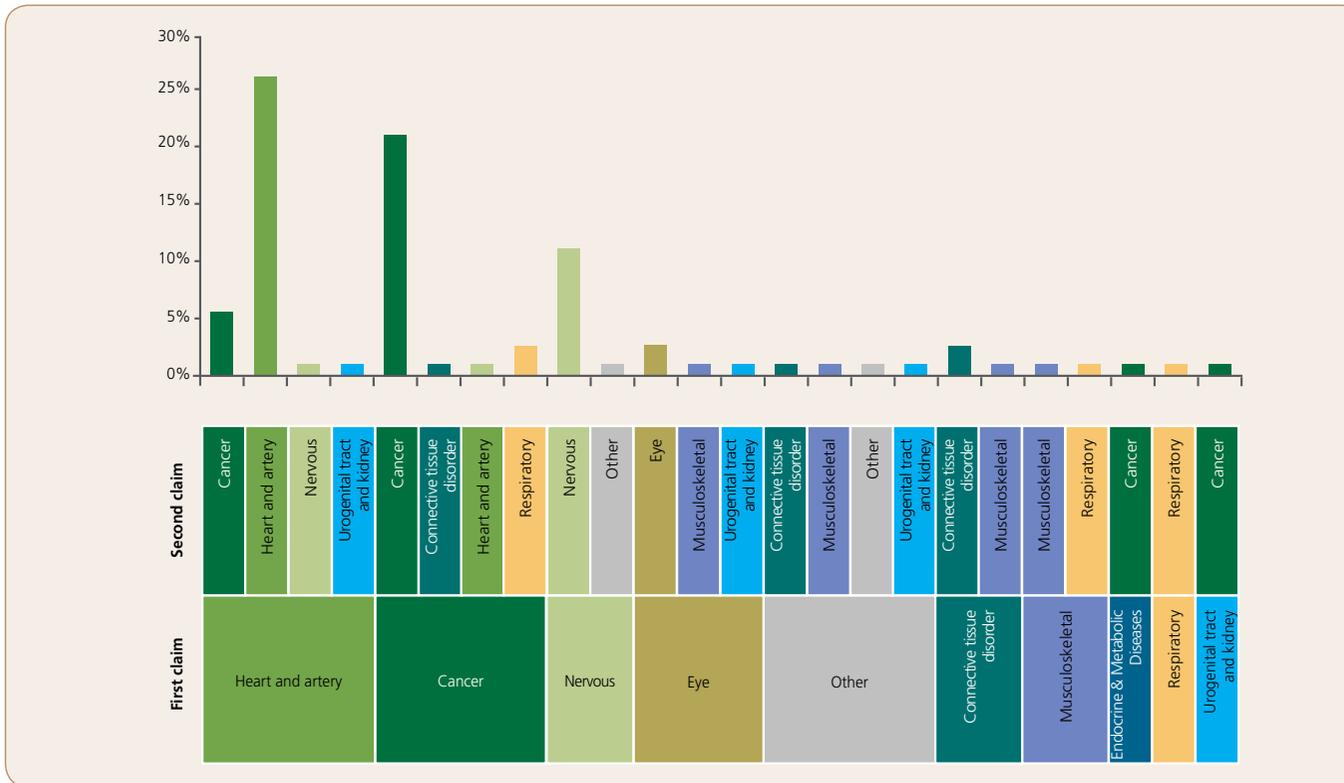
Our claims experience underlines the increased risk of subsequent related claims – affecting not only your lifestyle, but also your earning ability.

Discovery Life is the only life insurer to offer:

- the ability to claim in excess of the selected cover amount
- multiple claims regardless of a higher, lower or same severity

Unmatched reinstatement ability is achieved through combining the Minimum Protected FUND with the unique multiple claims definition.

Multiple claims on the Severe Illness Benefit from January 2010 to December 2010



The above graph shows the increased likelihood of subsequent illnesses that are the same or related. Therefore, a full multiple claims facility must allow you to claim from the same body system for subsequent claims.

A snapshot of Ms Malan's experience



Ms Malan was an administration manager when she took out her Discovery LIFE PLAN in 2008. She chose the Severe Illness Benefit and the Minimum Protected FUND on her policy.

In June 2010 she was diagnosed with stage I breast cancer and her severe illness sum assured at this stage was R1 322 125.

She received a Severity D benefit payment of R330 531. Because Ms Malan added the LifeTime PLUS benefit on her LIFE PLAN, she qualified for the LifeTime Impact Booster of 135%. We boosted her payout by a further R115 686 which resulted in a total payment of R446 217.

Three months later her condition worsened and her disease was upgraded to stage II cancer. This meant her severity increased from a Severity D to a Severity C. Her severe illness sum assured at the date of the second diagnosis was R1 099 016. A payout of R274 754 was made and this time she qualified for a further 145% LifeTime Impact Booster which resulted in a further payment of R123 640.

Ms Malan received a total benefit payout of R844 611.

An exemplary claims payment record

Discovery Life's record with the Ombudsman in 2010

- The rest of the industry had 143 rulings of incompetence made against them. **Discovery Life had none.**
- Less than 1% of claims submitted to Discovery Life were referred to the Ombudsman.
- Of the 99 Discovery Life Ombudsman cases, 51 were claims related. All the cases finalised to date have been resolved or ruled in Discovery Life's favour.
- 1% of industry cases submitted to the Ombudsman were from Discovery Life.

Declined claims

Total claims paid versus declined claims



We thoroughly assess all claims that we receive. Below is the breakdown of why 0.6% of the received claims were invalid:

Non-disclosure	67%
Policy terms or conditions not met	17%
Suicide within two years	8%
Misrepresentation	8%

Common reasons why life insurance companies do not pay claims

Discovery Life uses a sophisticated claims evaluation filter to assess all claims. As you can see from the table above, very few claims are not admitted. When we decline claims, there is always a specific reason. The claim may not have met the claims criteria or the information the applicant gave at application stage may be incomplete or incorrect. It is very important that policyholders give us all the correct information, including information about their medical history and their occupation. These two factors are very important to determine the risk the policyholder represents.

At Discovery Life, we believe in being as open and transparent as possible. If your clients feel that the information or service they have received was not satisfactory, they can contact our Compliance Department at DL_Compliance@discovery.co.za. They can also contact the Ombudsman for Long-term Insurance on 0860 OMBUDS (0860 662 837).

Our clients' experience in claiming from us

We recognise that the most important test of an insurance company is when you have to claim. At Discovery Life we take the payment of claims seriously. Our aim is to always save you from unnecessary worry by making sure that your claim will be assessed and settled quickly and fairly. These are the steps that we have taken to provide clients with excellent service.

1 Pro-active claims

Through our relationship with the Discovery Health Medical Scheme, we can assist in identifying when a Discovery Health member with a LIFE PLAN may be eligible for a claim. This case study illustrates the point.

2 Smart Claims

To assist claimants in the claims process:

- assessing claims on site, either at home or hospital
- collecting relevant documentation.

3 Smart ICB Claims

To make payments as quickly as possible, the claims process is performed telephonically for short-term claims. This allows for claim payments within three to seven days.

A snapshot of Mrs Moatshe's claim experience



Mrs Moatshe is a Discovery Health and Discovery Life client. A pro-active claims report picked up that she may have a possible claim.

The Discovery Health records showed that Mrs Moatshe's physician diagnosed her with retinal detachment. Based on the benefits of her LIFE PLAN, she could have a possible claim. Discovery Life contacted her financial adviser to tell him about the possible claim and sent him the information we needed to process the claim.

We received her claim documents and she qualified under Severity F under the Eye Benefit of the Severe Illness Benefit. She received R66 421 from her LIFE FUND.

Three key considerations when choosing appropriate risk cover, as illustrated by our claims experience:

1) Ensure that the payout is relevant to the need at claim stage

- **Income Continuation Benefit** – 100% upgrade to pre-disability earnings when becoming permanently disabled
- **Severe Illness Benefit** – Whole body coverage facilitated through severity-based payouts and automatic cover for children and parents
- **Capital Disability Benefit** – Robust assessment filter covers financial needs on both permanent and temporary disability.
- **Global Education Protector** – Indemnity protection of children's future education costs after suffering a life-changing event
- **Health Plan Protector** – Indemnity protection of your family's health contributions after suffering a life-changing event.

2) Cover that ensures value even if you have a good bill of health

- **PayBack™ Benefit** – Returning a portion of your premiums, depending on your individual level of health and wellness.

3) Future insurability following a claim

- **Minimum Protected FUND and multiple claims coverage** – Ensures continued coverage following a claim, especially for related conditions.

Discovery Life is an authorised financial services provider.





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